

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 10, 2007**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 10, 2007, commencing at 7:01 a.m.

A. ROLL CALL

Present: Council Members – Hansen, Hitchcock, Katzakian, and Mounce

Absent: Council Members – Mayor Johnson

Also Present: City Manager King, City Attorney Schwabauer, and City Clerk Johl

B. TOPIC(S)

B-1 "Internal Services Staffing Changes and Electric Utility Open Position and Power Procurement Needs"

City Manager King provided a brief introduction of the subject matter.

Deputy City Manager Krueger provided a presentation regarding internal services staffing changes. Mr. Krueger specifically provided an overview of various staffing changes made from previous years to the present. He also reviewed the overall organization of internal services and the budget associated with the same.

In response to Council Member Hansen, Mr. Krueger stated the positions shown in yellow include a reclassified position for the accounting manager and a retired position for the customer service manager. Mr. Krueger stated these positions were filled with people already employed by the City. He also confirmed the illustrated white positions are no longer here.

Discussion ensued between Council Member Hansen, Deputy City Manager Krueger, and City Manager King regarding the difference in budgeted amounts, including inflation comparisons, for the 2004-05 budget and the 2007-08 budget.

In response to Mayor Pro Tempore Mounce, Mr. Krueger stated the customer service supervisor position was reclassified and there was some opposition from the bargaining unit.

In response to Council Member Hitchcock, Mr. Krueger stated the budget manager is Kirk Evans and the financial services manager is Ruby Paiste. He also stated the human resources manager position is currently being recruited for and he is comfortable with the qualifications and workloads of individuals. Mr. Krueger provided an overview of the functions of various positions. Mr. King provided comments regarding organizational structure, previous budget related practices, and future goals regarding the same

In response to Council Member Hansen, Mr. Krueger stated the typical alignment between position classifications is 20%. Mr. King stated in some cases it may be less depending upon the steps.

In response to Council Member Hansen, Mr. Krueger stated they are working on restoring customer service as the remaining key positions are filled to meet the goal of being a more efficient organization. Council Member Hansen suggested doing an employee survey to measure internal customer service.

Electric Utility Director Morrow provided a presentation regarding the fiscal year 2008 open position. Topics of discussion included, but were not limited to, an overview, open position, open position in other cities, planned hedges, market price trends, laddering concept, existing open position, Northern California Power Agency (NCPA) cash position, NCPA power purchase project, Z.E. PowerGroup Inc., and a summary.

In response to Council Member Hansen, Mr. Morrow stated they will be making a purchase soon for the January-March open position of 25 megawatts. Mr. Morrow stated that, while 30 is the base load amount, low and high loads are a factor as well.

In response to Council Member Hansen, Mr. Morrow stated they hope to make the purchases by the end of the week if the numbers are favorable. Discussion ensued between Council Member Hansen and Mr. Morrow regarding downward trends, premiums for hedging, real time prices, and risk analysis.

In response to Council Member Hansen, Mr. Morrow stated there is a 10% open position for the next fiscal year. Mr. Morrow provided an overview of the laddering concept and three-year period benchmarks.

In response to Mayor Pro Tempore Mounce, Mr. Morrow stated staff will provide the open position numbers for Roseville as requested.

In response to Council Member Hansen, Mr. Morrow stated monitoring the market separate from NCPA is more of a generalization, and not a criticism, to keep our eyes open to procurement possibilities.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None

D. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:04 a.m.

ATTEST:

Randi Johl
City Clerk

AGENDA ITEM B-01



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Internal Services Staffing Changes and Electric Utility Open Position and Power Procurement Needs

MEETING DATE: July 10, 2007 (Shirtsleeve Session)

PREPARED BY: City Manager

RECOMMENDED ACTION: None; discussion only.

BACKGROUND INFORMATION: The final fiscal year 2007-08 budget has been published and will be distributed along with a "Budget-in-Brief" document at the Shirtsleeve Session. The Budget-in-Brief is a reader-friendly summary of the budget intended to help the general public understand the budget.

In response to a request from the Council for more information regarding the history of staffing changes in finance and internal services, staff will explain the evolution of the Internal Services Department by presenting organizational chart(s) from fiscal year 2004-05 to fiscal year 2007-08 with budget and positions. The handout information is attached. It should be noted that some position changes that affected the Internal Services Department occurred in departments not represented in the attachments.

In addition to staffing changes in the Internal Services Department, a question has arisen with regard to the Electric Utility's "open position" for 2007-08 or, in other words, the need to procure power. Staff will review the information previously provided and the history of the Utility's open position.

FISCAL IMPACT: N/A

FUNDING AVAILABLE: N/A


Blair King
City Manager

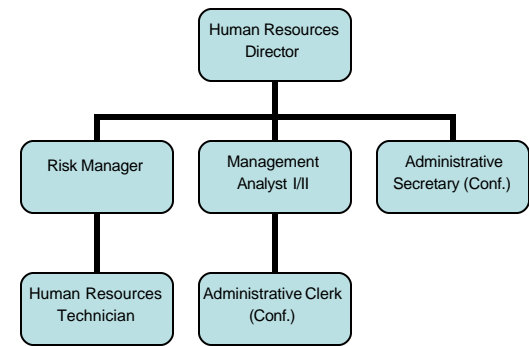
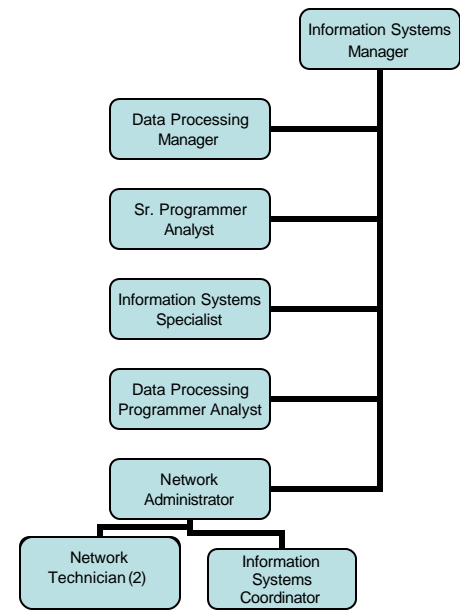
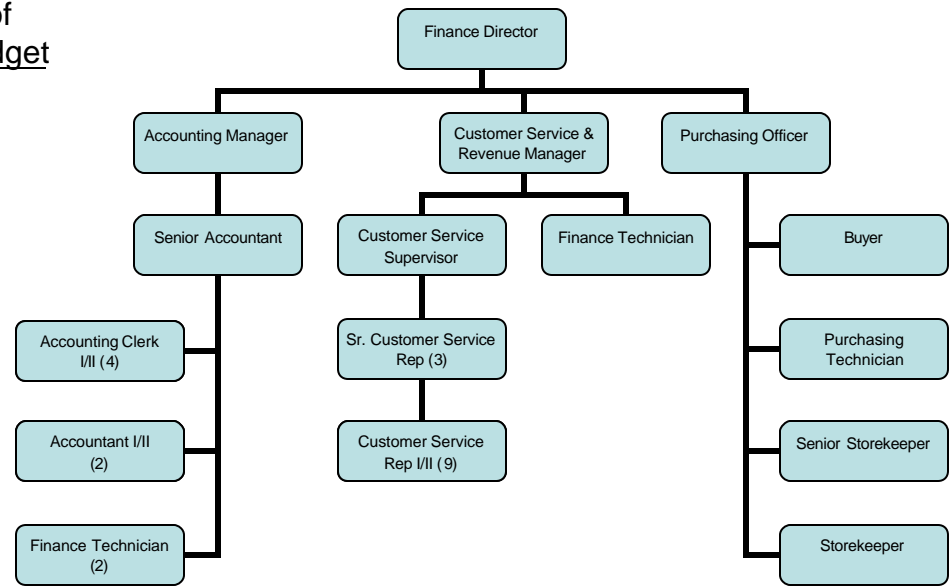
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Attachments

APPROVED: 
Blair King, City Manager

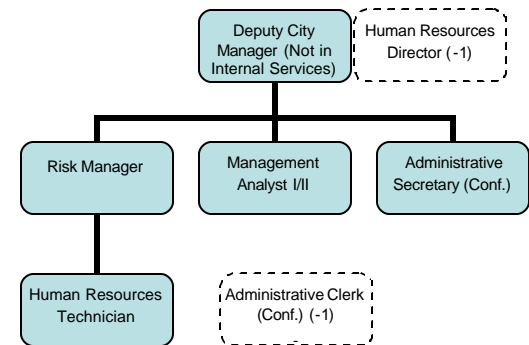
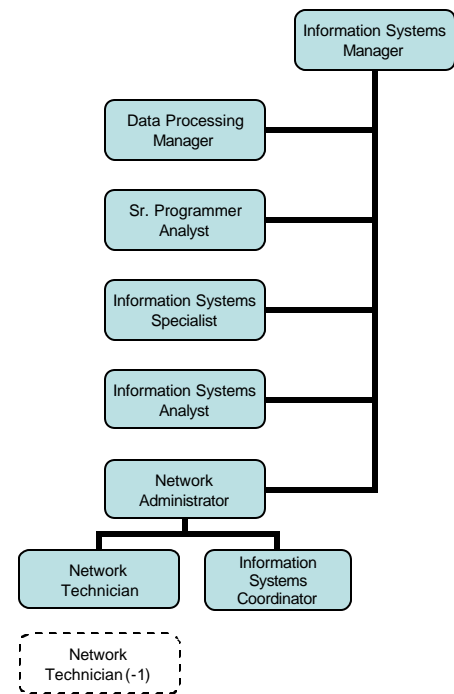
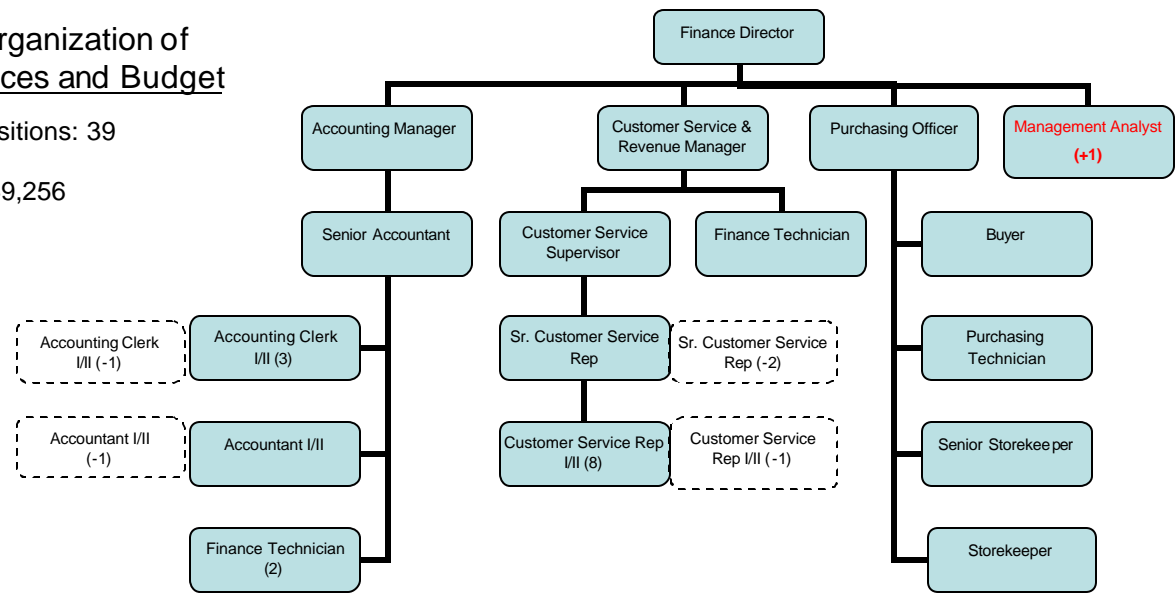
2004-05 Organization of Internal Services and Budget

Number of positions: 46
Budget: \$4,241,884



2005-06 Organization of Internal Services and Budget

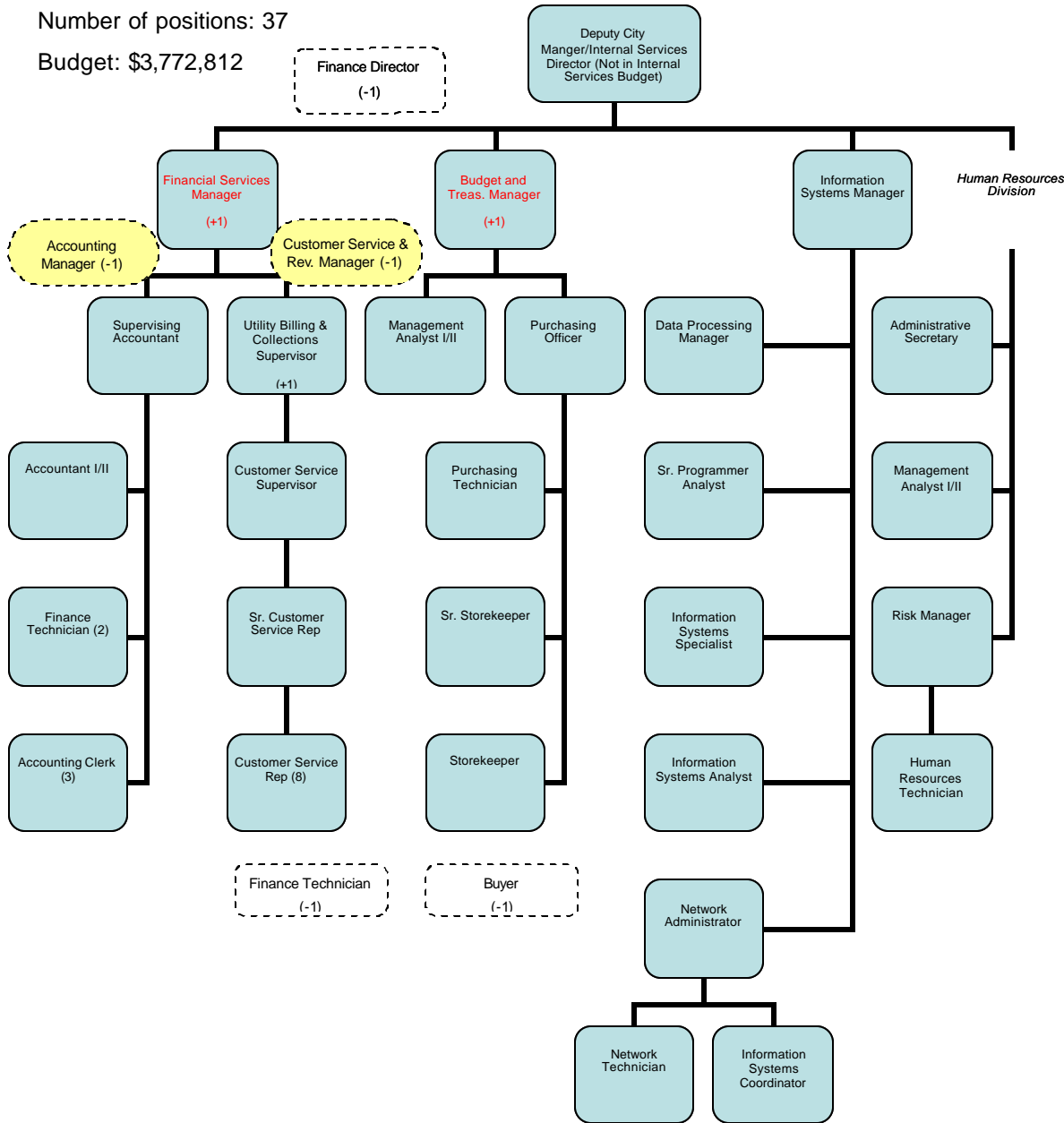
Number of positions: 39
Budget: \$3,849,256



2006-07 Organization of
Internal Services and Budget

Number of positions: 37

Budget: \$3,772,812

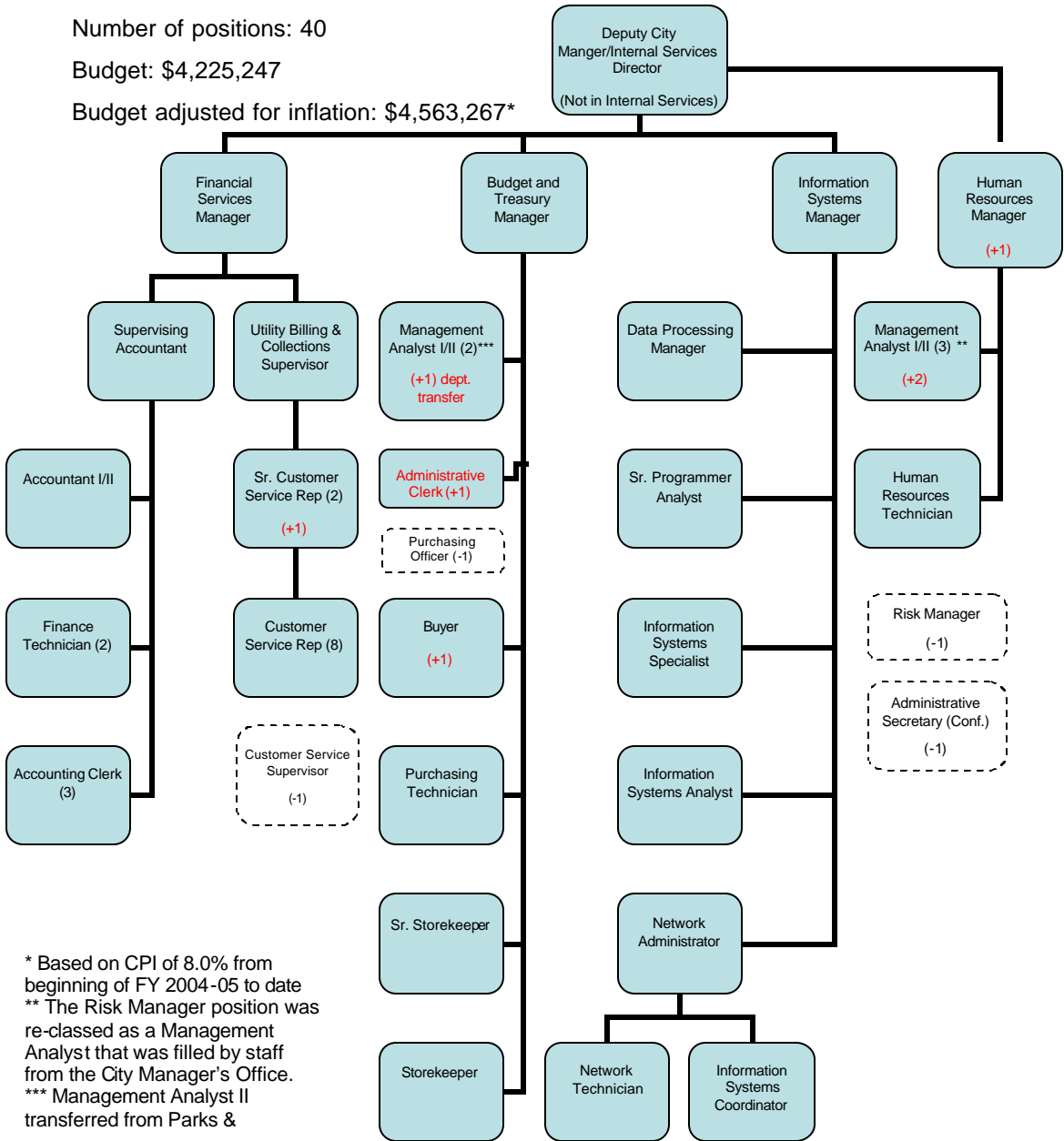


2007-08 Organization of
Internal Services and Budget

Number of positions: 40

Budget: \$4,225,247

Budget adjusted for inflation: \$4,563,267*



* Based on CPI of 8.0% from beginning of FY 2004-05 to date
** The Risk Manager position was re-classed as a Management Analyst that was filled by staff from the City Manager's Office.
*** Management Analyst II transferred from Parks &



Electric Utility Department

FY08 “Open Position”

**Shirtsleeve Meeting
July 10, 2007**



Overview

- Since mid FY06, Lodi has implemented a strategy of hedging its future energy “open position”
- For FY08, ROC established goal of 10% open position by July 1, 2007
- Actual open position on July 1 was 7% for CY08 and 15% for FY08
- Plans underway to close positions for Nov-Dec 07 and Jan-Feb 08 on a bilateral basis.



FY08 “Open Position”

	Lodi Total			Lodi HLH		Lodi LLH	
	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	% of Load	Surplus/(Deficit)	% of Load
July 2007	(3,699)	53,597	-6.9%	(763)	-2.2%	(2,936)	-14.9%
August	(3,767)	49,592	-7.6%	(2,015)	-6.1%	(1,752)	-10.5%
September	320	42,940	0.7%	537	2.0%	(218)	-1.3%
October	(1,210)	38,430	-3.1%	(1,194)	-4.7%	(16)	-0.1%
November	(5,400)	35,719	-15.1%	(4,616)	-19.9%	(784)	-6.2%
December	(8,048)	37,802	-21.3%	(6,324)	-27.1%	(1,724)	-12.0%
Jan 2008	(16,249)	36,994	-43.9%	(14,091)	-60.2%	(2,157)	-15.9%
February	(15,428)	35,512	-43.4%	(13,224)	-57.5%	(2,204)	-17.6%
March	(13,964)	36,674	-38.1%	(12,182)	-52.8%	(1,782)	-13.1%
April	(4,383)	36,293	-12.1%	(4,736)	-19.9%	353	2.8%
May	(970)	39,059	-2.5%	(1,936)	-7.7%	966	6.9%
June	(3,109)	43,062	-7.2%	(1,994)	-7.3%	(1,114)	-7.1%
Net Total	(75,906)	485,674	-15.6%	-62,538	-20.1%	-13,368	-7.7%



FY08 Open Position

Utility	%
Alameda	12
Biggs	29
Gridley	26
Healdsburg	24
Lodi	15
Lompoc	35
Palo Alto	13
Plumas Sierra	31
Oakland	13
Ukiah	21



Planned FY08 Hedges

Month	MW
November, 2007	10
December, 2007	10-15
January, 2008	25
February, 2008	25
March, 2008	25

Note: HLH Only



Market Price Trends

DAY	Jun-07	Jul-07	Aug-07	Q3.07	Q4.07	Q1.08	Q2.08	YR08	YR09	YR10	YR11
06/18/07	\$ 78.00	\$ 90.00	\$ 92.75	\$ 88.00	\$ 79.25	\$ 84.25	\$ 76.50	\$ 86.75	\$ 86.35	\$ 84.50	\$ 81.50
06/19/07	\$ 79.50	\$ 89.00	\$ 91.75	\$ 87.50	\$ 78.50	\$ 83.75	\$ 76.00	\$ 86.16	\$ 86.00	\$ 84.15	\$ 81.15
06/20/07	\$ 77.50	\$ 87.75	\$ 91.00	\$ 86.50	\$ 77.50	\$ 82.50	\$ 75.50	\$ 85.00	\$ 85.25	\$ 83.75	\$ 81.25
06/21/07	\$ 79.00	\$ 77.50	\$ 87.00	\$ 86.00	\$ 76.50	\$ 81.00	\$ 74.25	\$ 84.25	\$ 84.75	\$ 83.25	\$ 80.75
06/22/07	\$ 75.25	\$ 84.25	\$ 87.50	\$ 83.50	\$ 75.00	\$ 80.00	\$ 73.00	\$ 83.00	\$ 84.00	\$ 82.50	\$ 80.50
06/25/07	\$ 73.50	\$ 81.25	\$ 84.75	\$ 80.50	\$ 73.25	\$ 78.75	\$ 72.25	\$ 82.00	\$ 83.75	\$ 82.35	\$ 80.35
06/26/07	\$ 71.00	\$ 80.00	\$ 84.00	\$ 79.50	\$ 73.00	\$ 78.25	\$ 71.50	\$ 81.50	\$ 83.75	\$ 82.60	\$ 80.60
06/27/07		\$ 82.75	\$ 85.50	\$ 81.50	\$ 73.75	\$ 79.00	\$ 72.50	\$ 82.00	\$ 84.00	\$ 83.00	\$ 81.00
06/28/07		\$ 81.25	\$ 83.75	\$ 79.25	\$ 71.50	\$ 77.00	\$ 71.50	\$ 80.00	\$ 82.50	\$ 81.75	\$ 79.75
06/29/07		\$ 84.75	\$ 85.75		\$ 71.75	\$ 76.75	\$ 72.50	\$ 80.50	\$ 83.00	\$ 82.00	\$ 80.00
07/02/07		\$ 95.75	\$ 89.50		\$ 71.00	\$ 77.00	\$ 72.50	\$ 81.00	\$ 83.50	\$ 82.50	\$ 80.75



FY08 Open Position**

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	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load	Surplus/(Deficit)	Load	% of Load
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August	-3,767	49,592	-7.6%	-2,015	32,886	-6.1%	-1,752	16,706	-10.5%
September	320	42,940	0.7%	537	26,615	2.0%	-218	16,325	-1.3%
October	-1,210	38,430	-3.1%	-1,194	25,325	-4.7%	-16	13,105	-0.1%
November	-1,500	35,719	-4.2%	-716	23,150	-3.1%	-784	12,569	-6.2%
December	-2,003	37,802	-5.3%	-279	23,379	-1.2%	-1,724	14,423	-12.0%
Jan 2008	-6,174	36,994	-16.7%	-4,016	23,390	-17.2%	-2,157	13,604	-15.9%
February	-6,003	35,512	-16.9%	-3,799	23,016	-16.5%	-2,204	12,496	-17.6%
March	-3,889	36,674	-10.6%	-2,107	23,066	-9.1%	-1,782	13,608	-13.1%
April	-4,383	36,293	-12.1%	-4,736	23,797	-19.9%	353	12,496	2.8%
May	-970	39,059	-2.5%	-1,936	25,104	-7.7%	966	13,955	6.9%
June	-3,109	43,062	-7.2%	-1,994	27,469	-7.3%	-1,114	15,593	-7.1%
Net Total	-36,386	485,674	-7.5%	-23,018	311,132	-7.4%	-13,368	174,542	-7.7%

**After planned Nov07 – Mar 08 Buy



Laddering Concept

Timeframe	Open Position
3 rd Fiscal Year	50%
2 nd Fiscal Year	25%
Next Fiscal Year	10%
6 months	5%



Existing Open Position

Fiscal Year	%
2006	65
2007	3
2008	15
2009	23
2010	25
2011	68



NCPA Member Cash Position

	Days Cash
Alameda	173
Biggs	601
Gridley	389
Healdsburg	339
Lodi	24
Lompoc	188
Palo Alto	671
Roseville	239
Santa Clara	331

As of June 30, 2006



NCPA Power Purchase Project

- New purchasing program under development for longer term power purchases
- Conceptually approved by NCPA Commission in June 2007
- Planned operational by Fall 07
- Purchases up to five (5) years
- Designed to insulate non-participating members from default risks of participants
- Will require three (3) months cash reserves based on highest purchase level or possibly letter of credit
- Cost of program administration borne by participants



Z.E. PowerGroup Inc.

- EUD obtained services of market power experts to assist in power purchase strategy development
- Recommendations to date for hedging:
 - Be proactive and monitor market independent from NCPA
 - Use of natural gas for STIG unit important hedge in July and August and perhaps beyond
 - Electricity forwards make sense in winter period versus gas
 - Use market monitoring and risk analysis spreadsheet provided by ZE PowerGroup
 - Identify high risk and low risk periods to target key hedging needs
 - Update analysis tool regularly



Summary

- Since mid FY06, Lodi has implemented a strategy of hedging its future energy “open position”
- For FY08, ROC established FY08 goal of 10% open position by July 1, 2007
- Actual open position on July 1 was 7% for CY08 and 15% for FY08
- Plans underway to close positions for Nov-Dec 07 and Jan-Feb 08 on a bilateral basis (7% open)
- Lodi expected to participate in planned NCPA Power Purchase Project
- ZE PowerGroup assisting Lodi in developing hedge strategy and analysis tools